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BY U.S. MAIL and ELECTRONIC TRANSMISSION (tom.inserra@fldoe.org)

January 24, 2014

Thomas H. Inserra, Director
Office of Educational Facilities
1054 Turlington Building
325 West Gaines Street
Tallahassee, Florida 32399-0400

Re: 2012 SREF Requirements for Surety Company A.M. Best Rating

Dear Mr. Inserra:

On behalf of the National Association of Surety Bond Producers (NASBP), a national trade association of surety bond producers, including licensed resident and nonresident producers placing bonds in the State of Florida and in other jurisdictions, I am contacting you regarding the overly restrictive financial strength ratings for surety companies in the 2012 State Requirements for Educational Facilities (SREF). This new, more restrictive requirement recently has come to our attention, prompting us to express our concerns to you about the substantial impact they have on the construction community at large.

NASBP understands and appreciates that the Office of Educational Facilities of the Florida Department of Education has a significant interest in ensuring that only surety companies with excellent financial strength ratings are permitted to prequalify contractors and provide the verification of the appropriate level of bonding capacity. We fail, however, to understand any reason for the change from the required A.M. Best rating of "'A-' or better" in the 2007 SREF to the required A.M. Best rating of "'A' or better" in the 2012 SREF. Indeed, both A and A- ratings are described by A.M. Best as "Excellent." For your convenience, I attach A.M. Best's Guide to Best's Financial Strength Ratings.

Overly restrictive surety financial strength rating requirements are not in the best interest of the project owner, as they limit competition, increase pricing, and deter meeting minority and disadvantaged business participation goals.

- ✓ Restricting acceptable sureties to only those with an A.M. Best A rating or higher severely limits competition, as very few sureties are rated A or higher, unnecessarily eliminating many qualified contractors that have established surety credit with sureties rated A-. Less competition usually translates into higher project pricing.
- ✓ An A.M. Best rating of A- means an "Excellent" financial strength rating. There is no reason to eliminate sureties with such ratings from being able to prequalify and verify a contractor's bonding capacity.

- ✓ An overly restrictive surety financial strength rating likely will be an obstacle to achieve sufficient minority or disadvantaged business participation goals. Such companies are often served by smaller surety companies that may have financial strength ratings of A-, not A or higher.

For these reasons, NASBP respectfully requests your reconsideration of imposing a minimum financial strength rating of A- rather than A on surety companies that prequalify and verify bonding capacity for construction contractors under the SREF.

I appreciate your consideration of NASBP's concerns, and I would be happy to answer any questions you may have.

Yours sincerely,

Martha L. Perkins

Martha L. Perkins
General Counsel

Attachment

cc: Mark H. McCallum, CEO
Larry LeClair, Director of Government Relations